

Message Text

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ACTION NEA-10

INFO OCT-01 EA-07 ISO-00 AID-05 CIAE-00 COME-00 EB-08
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INFO AMEMBASSY ABU DHABI
AMEMBASSY BONN
AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY TEHRAN
AMEMBASSY TOKYO

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E.O. 11652: NA
TAGS: ECON, EG
SUBJ: PROPOSED CHANGES IN INVESTMENT LAW

REF: CAIRO 5106 (NOTAL)

1. ALL CAIRO DAILIES MARCH 25 REPORT MOST INTERESTING
MEETING PREVIOUS DAY OF ECONOMIC COMMITTEE OF EGYPT'S
MAJORITY ARAB SOCIALIST PARTY WITH MINISTER OF ECONOMY
HAMID AL-SAYEH. PURPOSE OF MEETING WAS TO REVIEW
PROPOSED LEGISLATION WHICH WILL PROVIDE FURTHER
ENCOURAGEMENT FOR PRIVATE FOREIGN AND ARAB INVESTORS AND
SPECIFICALLY TO GO OVER THE PROPOSED CHANGES IN LAW 43.
REVIEW AND APPROVAL BY PARTY IS ONE OF MANY STEPS ALONG
WAY TO APPROVAL OF PROPOSED LEGISLATION BY CABINET AND
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PEOPLES ASSEMBLY.

2. REGARDING CHANGES IN INVESTMENT LAW SAYEH DESCRIBED,
AND COMMITTEE REPORTEDLY APPROVED, FOLLOWING STEPS:
A) AMENDMENT OF LAW 43 SO THAT PROVISIONS OF LAWS
PROHIBITING OWNERSHIP BY ALIENS (NOT ARABS) OF BUILDINGS
AND VACANT LAND AND OWNERSHIP BY ALIENS OF AGRICULTURAL

AND DESERT LAND WILL NOT APPLY TO FOREIGN INVESTMENT PROJECTS;

B) AMENDMENT TO INCREASE EXEMPTIONS FOR FOREIGN CAPITAL AND PROFITS FROM GENERAL INCOME AND PROPERTY TAXES;

C) AMENDMENT TO SINGLE OUT RECONSTRUCTION PROJECTS AND BUILDING OF NEW CITIES OUTSIDE AGRICULTURAL AREAS FOR SPECIAL TAX EXEMPTIONS;

D) AMENDMENT TO GUARANTEE RE-EXPORT OF ORIGINAL CAPITAL AT RATE AT WHICH IT WAS BROUGHT IN, WITHOUT SPECIFICALLY MENTIONING SHIFT FROM OFFICIAL TO PARALLEL MARKET RATE;

E) AMENDMENT TO PROVIDE SPECIFIC EXEMPTION FOR FREE ZONE VENTURES FROM EGYPTIAN TAXES AND DUTIES.

3. COMMENT. WHILE CHANGES MENTIONED ABOVE MAY BE FAR FROM THOSE WHICH ARE IMPLEMENTED, WE SEE DEFINITE SIGNS OF POSITIVE APPROACH TO PROBLEM OF STIMULATING FOREIGN INVESTOR. FACT THAT AGRICULTURAL LAND MAY BE OWNED BY FOREIGN INVESTORS WILL BE HELP IN AGRO-INDUSTRIAL SHERE WHERE WE HAVE HAD CONSIDERABLE AMERICAN INTEREST. ALSO INTERESTING IS FORMULA FOR MUCH DISCUSSED EXCHANGE RATE PROBLEM. INFORMATION CONTAINED REFTEL INDICATES PROBABLE MOVE TO REPATRIATION OF PROFITS AT PARALLEL MARKET RATE. POSSIBILITY THAT INVESTMENT LAW MAY BE AMENDED TO GUARANTEE REPATRIATION OF CAPITAL ONLY AT ITS "ORIGINAL VALUE" WITHOUT SPECIFICALLY MENTIONING SHIFT FROM OFFICIAL RATE WOULD MEAN TWO TIER SYSTEM OF EXCHANGE RATES AT WORK IN INVESTMENT SECTOR. THIS WOULD OF COURSE PRODUCE MAXIMUM BENEFIT FOR EGYPTIAN TREASURY AND GUARANTEED VALUE WOULD TEND TO MAKE INVESTORS MORE LIMITED OFFICIAL USE

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CONFIDENT. IT WOULD ALSO MEAN A RECALCULATION OF THE PROFITABILITY OF ALL PENDING VENTURES IN LIGHT OF DIFFERING RATES FOR CAPITAL AND PROFIT MOVEMENT.
MATTHEWS

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